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OGC HAS REVIEWED.

2 February 1951

MEMORANDUM FOR: OFFICE OF OPERATIONS

25X1A

ATT: Chief, [REDACTED]

SUBJECT: Russian Marine Insurance

REFERENCE: Message to [REDACTED],

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1. In response to the request in the reference message, I talked to Mr. Richard Whitely in the Federal Trade Commission, the regular CIA liaison and Director of the Bureau of Anti-Deceptive Practices. He called Mr. Babcock in, who is in the Investigation Division.

2. FTC's interest in this matter arises out of the fact that the Supreme Court in 1946 reversed earlier opinions and found that conduct of insurance business was commerce in the sense of interstate commerce acts. Congress then passed legislation in 1948 stating that there would be Federal jurisdiction over only such insurance as had not already been put under State jurisdiction. This meant that marine insurance was practically the only major insurance item in which FTC would have an interest. Marine insurance, in turn, stemmed from a 1920 act which permitted syndicates to reinsure under inter-company rate agreements without regard to the Sherman and other anti-trust acts.

3. Consequently, FTC's jurisdiction is limited, but it has made a two-year investigation of the reinsurance business to make sure that it is complying with the laws as they exist. Mr. Babcock has been the head of this investigation. He himself was not aware of any special information on Gosstrakh and the Black Sea and Baltic, except that they were involved in the syndicates. He stated he had instructed his investigators not to pay close attention to the foreign insurance companies over which FTC did not have any jurisdiction unless they found, in connection with their work with the American companies, that there appeared to be foreign agreements which were contrary to American law. He felt, consequently, that any action in connection with [REDACTED] was but a remote possibility.

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4. Mr. Babcock said he could easily ask for reports on the status of the investigation on these companies and would call me to say if there was any possibility of action or undue publicity. That there is Russian insurance and reinsurance would, Mr. Babcock stated, be apparent in the reports of the FTC but only as an incidental matter.

LAWRENCE R. HOUSTON
General Counsel

Attachment: Reference message

LRHouston/ml1

cc: Subject
Chrono

handcarried to 00 by Mr. Houston on 2 Feb 1951

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ORIGINAL DOCUMENT MISSING PAGE(S):

ATTACHMENT